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Supreme Court of the United States

October Term, 1968

209

MARCAN PRODUCTS CORPORATION, MARSHALL CONTROL PRODUCTS CORP., HUGH A. MILLS, RONALD R. MARSHALL, and DAVID E. GOLDING,
Petitioners,

v.

THE A. H. EMERY COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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TABLE OF CONTENTS

	PAGE
OPINIONS BELOW	2
JURISDICTION	2
QUESTIONS PRESENTED	2
STATUTES INVOLVED	3
STATEMENT OF THE CASE	4
On the Question of Jurisdiction	6
On the Questions of Unclean Hands and Related Causes	7
REASONS FOR GRANTING THE WRIT	9
CONCLUSION	11
CERTIFICATE OF SERVICE	12

TABLE OF AUTHORITIES

PAGE

Cases:

Keystone Driller Co. v. General Excavator Co., 290 U. S. 240 (1933) 8, 9, 10

The A. H. Emery Company v. Marcan Products Corporation *et al.*, 268 F.Supp. 289, affirmed 389 F.2d 11 2

Precision Instrument Manufacturing Company *et al.* v. Automotive Maintenance Machinery Company, 328 U. S. 806 (1945) 8, 9, 10

United Mine Workers of America v. Gibbs, 383 U. S. 715 (1966) 7, 9

Walker Process Equipment Inc. v. Food Machinery and Chemical Corporation, 382 U. S. 172 (1965) 5

Statutes:

28 U.S.C. 1254 2

28 U.S.C. 1338 ..... 3, 4

28 U.S.C. 1400 ..... 4, 11

35 U.S.C. 102 3

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Petitioners, Marcan Products Corporation, Marshall Control Products Corp., Hugh A. Mills, Ronald R. Marshall, and David E. Golding, pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit entered in this case on January 18, 1968.

Opinions Below

The first opinion of the District Court is reported at 268 F.Supp. 289 (App. 21a-47a); a second opinion of the District Court, on the issue of unclean hands, is not reported but appears in the appendix (App. 48a-55a). The opinion of the Court of Appeals is reported at 389 F.2d 11 (App. 2a-16a).[1]

Jurisdiction

The judgment of the Court of Appeals was entered on January 18, 1968 (App. 1a), and a timely petition for rehearing was denied on February 20, 1968 (App. 17a). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

Questions Presented

1. Whether a Federal Court loses jurisdiction over a case when the sole federal claim is admitted, years prior to trial, to be spurious.

2. Whether a patent misuse results in forfeiture of a trade-secret cause of action when both the patent and the trade secret are asserted against the identical device.

3. Whether a party who (a) acquired a patent by concealing knowledge of its own prior public use from the Patent Office, (b) asserted the patent against petitioners'

1. The statements contained in this petition are taken from the decisions by the courts below. For purposes of this petition, we accept the findings by these courts and we assume, therefore, that the facts are undisputed.

device which said party admittedly knew was not covered by the patent, and (c) almost three years prior to trial admitted the invalidity of the patent, but, nevertheless, maintained the suit and continued to threaten petitioners' customers with patent-infringement litigation, is guilty of such patent misuse and unclean hands as to bar a related cause of action.

Statutes Involved

Title 28, United States Code, Section 1338:

"(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

Title 35, United States Code (The Patent Statutes):

"§102. Conditions for patentability; novelty and loss of right to patent

"A person shall be entitled to a patent unless—

* * *

"(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, * * *"

Statement of the Case

This suit was brought under 28 U.S.C. §§1338 and 1400 against petitioners, Marcan Products Corporation, Marshall Control Products Corp., Hugh A. Mills, Ronald R. Marshall, and David E. Golding, for infringement of United States Patent No. 2,960,328 issued on November 15, 1960 to Malcolm C. Tate and assigned to respondent, The A. H. Emery Company; the complaint also asserted a related claim of trade-secret violation.

The patentee, an officer of respondent, applied for patent protection on a weighing device (a so called load cell) on July 5, 1957 while admittedly concealing from the Patent Office knowledge of his many invalidating prior public uses.[2]

One of the petitioners, Hugh A. Mills (Mills) prior to this lawsuit was for many years a salesman of respondent. While so employed, he sold the patented weighing device, as well as earlier versions of essentially the same weighing device which were not covered by the patent. Mills was fired for not producing sufficient sales, and about six months later started a competing business with the co-petitioners; their product first appeared almost a year after Mills' discharge and was a non-patented version of the weighing device.

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2. The subject matter of the patent is not relevant to this petition. Briefly, however, it is directed to a mechanical device for weighing heavy loads. Essentially, it is a plunger mounted over a reservoir of liquid. The load to be weighed is placed on the plunger, imposing a pressure on the liquid; the pressure is indicative of the weight.

In addition to the admitted withholding of invalidating prior public uses from the Patent Office, respondent's officer-patentee[3] admitted that prior to the lawsuit, he had examined petitioners' device and knew it was not covered by the patent. Despite such knowledge, respondent sued petitioners for patent infringement. The suit was pending approximately five years before trial.

After about two years, i.e., almost three years prior to trial, respondent admitted in writing the spuriousness of its patent claim because of the known public uses. It chose, however, not to dismiss the patent action;[4] instead, it capitalized on the existence of the action and continued to assert its admittedly ill-gotten, non-infringed patent against petitioners and their customers. At trial, however, after respondent had reaped the full benefit in the marketplace, it cavalierly offered to withdraw its patent.

This Court, in *Walker Process Equipment Inc.* v. *Food Machinery and Chemical Corporation,* 382 U.S. 172, 177 (1965), held that a party "who maintains and enforces the patent with knowledge of the patent's infirmity" is stripped of its exemption from the antitrust laws.[5] Such wrongful conduct is clearly a patent misuse and unclean hands, even apart from a strict violation of the antitrust laws.

The reason why respondent did not dismiss the patent action is transparent. Respondent had sued petitioners for

3. Vice-President, Engineering and Sales.

4. The Court of Appeals noted (App. 5a) that patent-invalidating facts were "apparent at pre-trial".

5. In *Walker Process,* the known public use was the infirmity.

patent infringement and for trade-secret violation. The patent was the "federal" cause, and the trade-secret violation was strictly a "state" cause of action. The trade-secret violation was bottomed on Mills' hiring of a former draftsman of respondent to prepare detailed drawings of the patented load cell. The Courts below held that the dimensions which appeared on the drawings were impliedly trade secret and that Mills violated such information by using the drawings.[6]

On the Question of Jurisdiction

There is no dispute, and the lower Courts so held, that the sole basis for Federal jurisdiction rested on the spurious patent claim. Thus, if respondent had dismissed its patent action after admitting the baselessness of its patent claim, it would have forfeited the sole basis for Federal jurisdiction and the action would have been dismissed. The District Court, in the interests of "judicial economy, convenience and fairness to litigants", did not dismiss the action. The Court of Appeals criticized the District Court and said (App. 15a) that:

> "* * * the proper procedure for the pretrial judge to have pursued was to dismiss the plaintiff's infringement suit and declare the patent invalid pursuant to defendants' counterclaim. This undoubtedly would have carried the trade secret claim along with it."

Notwithstanding this fact, the Court of Appeals held that the District Court did not abuse its discretion.

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6. Even though the petitioners' accused device was of unpatented construction.

Such decisions are contrary to and fly in the face of this Court's ruling in *United Mine Workers of America* v. *Gibbs,* 383 U.S. 715, 725 (1966), which held that although the question of pendent jurisdiction is ordinarily resolved on the pleadings, the issue of whether it has been properly assumed is one which remains open throughout the litigation; this Court cautioned:

> "Needless decisions of state law should be avoided both as a matter of comity and to promote justice between the parties, by procuring for them a surer-footed reading of applicable law. Certainly, if the federal claims are dismissed before trial even though not insubstantial in a jurisdictional sense, the state claims should be dismissed as well."[7]

On the Question of Unclean Hands and Related Causes

The Courts below held that although respondent's behavior in regard to the acquisition and maintenance of its patent claims was "careless", "reckless", "cavalier", "singularly inept", "perfunctory", "negligent", and "misleading", they would not let Mills go "scot-free" for his use of the alleged trade secrets (App. 9a, 54a). The Courts, therefore, compared the inequities of the parties, and on that basis refused to dismiss the trade-secret cause of action.

The Court of Appeals held, paradoxically we submit, that although the record supported a finding of unclean

7. In this context, the Court of Appeals (App. 15a footnote) noted respondent's concession that, before this case went to trial in 1966, respondent knew that its "federal" claim was a "wholly frivolous" allegation as to which it never intended to present evidence at the trial.

hands, such as to warrant a dismissal of the trade-secret cause, it refused to reverse the District Court for abuse of discretion. This decision is directly contrary to the mandate of this Court in *Keystone Driller Co.* v. *General Excavator Co.*, 290 U.S. 240 (1933), and *Precision Instrument Manufacturing Company et al.* v. *Automotive Maintenance Machinery Company*, 328 U.S. 806 (1945). In both the *Precision* and *Keystone* cases, multiple claims were involved, and this Court specifically held that when a party came into Court with unclean hands as to one claim, the action was dismissed as to all related claims. In both the *Precision* and *Keystone* cases, the question of "relationship" was determined by examining the subject matter of the several claims. In both these cases, the several claims were separate and distinct patents. In the case at bar, the two claims are patent and trade-secret violation. To complete the analogy, in this action as in both the *Precision* and *Keystone* cases, one of the patents was ill-gotten, and unclean hands as to that one patent was established.

This Court expressly held that where the several claims related to the same machine, they were "related", so that unclean hands as to one warranted a dismissal as to all. In the case at bar, both Courts below held that the patent claim and trade-secret claim were directed to the same product.

Thus, in principle and in logic, the decisions by the Courts below are contrary to and fly in the face of the express rulings of this Court in the *Precision* and *Keystone* cases.

Reasons for Granting the Writ

I

The patent claim was admittedly baseless and spurious almost three years before trial. The Court of Appeals correctly stated the rule that the proper procedure was for the pretrial judge to have dismissed the action at the pretrial conference.[8] It held, however, that the judge did not abuse his discretion by not dismissing the action. The decision by the Court of Appeals is contrary to the express ruling by this Court in the *Gibbs* case. Diverse holdings by this Court and the Court of Appeals present substantial problems to practitioners. It is impossible to advise clients on analogous questions of jurisdiction with any degree of certainty. Further, since other jurisdictions have not held contrary to the *Gibbs* ruling, and unless this Court now reaffirms *Gibbs,* future questions as to whether or not a Federal Court shall retain cognizance over a state claim, when a federal claim is admittedly spurious,[9] will have to depend on the Circuit in which the parties are located.

II

On the issue of unclean hands as to one of multiple claims, this Court in the *Keystone* and *Precision* cases expounded the following rulings:

1. The equitable conduct of the respective parties shall not be compared. "Courts of equity do not make the qual-

8. The pretrial judge was the same as the trial judge.

9. The Court of Appeals said (App. 5a):

"* * * it had become apparent at pre-trial that the patent, which the plaintiff asserted, had become invalid * * *."

ity of the suitors the test."[10] "That the actions of Larson and Precision may have been more reprehensible is immaterial."[11]

2. The relationship between multiple claims may be determined by the similarity of the subject matter of the claims, and where the subject matter is the same, the claims are "related".

Neither of these fundamental rules was followed by the lower Courts. Although the Court of Appeals found the respondent's conduct in connection with the acquisition of the patent and the maintenance of the lawsuit "careless", "reckless", "singularly inept", "perfunctory", "negligent", and "misleading", the Court was determined not to permit Mills to go "scot-free" for his use of drawings which allegedly contained the trade-secret dimensions. The Court of Appeals stated that the conduct of respondent was so bad as to have justified a dismissal of the patent cause. Thus, the sole question was one of relationship between the patent cause and trade secrets. The Courts below also held that the patent and trade secrets covered the identical device. Under this Court's rulings, the claims were related so that unclean hands as to one warranted a dismissal of the other.

The Court of Appeals has ruled directly contrary to the express rulings by this Court in the *Precision* and *Keystone* cases. Such a flatly contradictory decision invites forum shopping, beyond the great extent to which

10. *Keystone,* 290 U. S. 240, 245.

11. *Precision,* 324 U. S. 806, 819.

forum shopping already characterizes patent litigation. Under 28 U.S.C. §1400, an action for patent infringement may be brought in any District where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business. Under the law, a person who makes, uses or sells, is liable for infringement. The patent owner, therefore, may sue the manufacturer or any one of his customers in any jurisdiction where the manufacturer or customer is incorporated, or where either is committing acts of infringement and has a regular and established place of business. In most patent cases, this provides the patent owner an opportunity to sue either the manufacturer or the customer in any one of many different jurisdictions. Because of the Second Circuit's ruling, a plaintiff vulnerable to an unclean-hands defense in a multiple-claim action would seek to find a defendant in the Second Circuit; conversely, a prospective defendant would bring a declaratory-judgment action in a Circuit other than the Second Circuit.

Conclusion

For the foregoing reasons, we submit this petition for a writ of certiorari should be granted, and the decision of the Court of Appeals should be reversed.

June 14, 1968

Respectfully submitted,

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Certificate of Service

This petition and the accompanying appendix have been served on Respondent's attorneys by mailing three copies thereof to Blair, Buckles, Cesari & St. Onge at 500 Summer Street, Stamford, Connecticut 06902.

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